

Message Text

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PAGE 01 KARACH 02302 210445Z

17

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TAGS: ENRG, PK

SUBJECT: SHORTAGE OF LUBRICATING OILS AND KEROSENE IN PAKISTAN

REF: A) LAHORE 1442 B) KARACHI 0066

SUMMARY: OWING GOP DECISION RAISE PRICE OF LUBE BASE-STOCKS SUPPLIED BY GOP-OWNED NATIONAL REFINERY LTD. (NRL), WITHOUT CONCOMITANT INCREASE IN RETAIL PRICE, ALL LUBE BLENDING PLANTS CLOSED DOWN FOR ABOUT A WEEK EARLIER IN NOVEMBER. FOLLOWING DELAYED GOP DECISION ON NOV 14 TO INCREASE RETAIL LUBE PRICES, LUBE BLENDING PLANTS REOPENED AND NOW OPERATING AT NORMAL LEVELS. TEMPORARY HOARDING BY RETAIL DEALERS FOR INVENTORY PROFIT HAS NOW ALSO CEASED. KEROSENE SHORTAGE AT RETAIL LEVEL IS MORE PERMANENT CONDITION RESULTING FROM GOP PRICING POLICY. CONGEN BELIEVES NO POSSIBILITY ANY FURTHER NATIONALIZATION OF OIL INDUSTRY BEYOND WHAT ALREADY TOOK PLACE ON JAN 1, 1974. END SUMMARY.

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PAGE 02 KARACH 02302 210445Z

1. REF A, PARA 4 REPORTED SUDDEN SHORTAGE OF KEROSENE, DIESEL

FUEL AND LUBRICATING OILS IN LAHORE DISTRICT. U.S. AND PAK OIL COMPANY OFFICIALS HERE WHO CLOSELY ACQUAINTED WITH SITUATION HAVE INFORMED CONGEN THAT SUDDEN SHORTAGE CONFINED TO LUBRICATING OILS. SHORTAGE CAUSED BY GOP DECISION TO INCREASE PRICE OF LUBE BASE-STOCKS SUPPLIED TO ENTIRE LUBE BLENDING INDUSTRY BY NRL. SINCE NO CORRESPONDING INCREASE IN RETAIL PRICE LEVEL AUTHORIZED AT SAME TIME, ALL 15 LUBE BLENDING PLANTS IN PAKISTAN WOULD HAVE BEEN IN POSITION OF SELLING AT A LOSS OF ABOUT RS. 6 PER GALLON. LUBE PLANTS QUITE NATURALLY CLOSED DOWN AND AWAITED GOP ACTION TO INCREASE RETAIL PRICE WHICH FINALLY CAME ON NOV 14. LUBE OIL PRICES AT THAT TIME RAISED ABOUT RS. 8, TO NEW PRICE OF AROUND RS. 28 PER GALLON. AS SOON AS NEW RETAIL PRICE WENT INTO EFFECT LUBE PLANTS REOPENED AND ARE NOW AGAIN BLENDING AND DISTRIBUTING AT NORMAL LEVELS. DURING PERIOD BETWEEN BASE-STOCK PRICE INCREASE AND RETAIL PRICE INCREASE, RETAIL DEALERS ALSO NO DOUBT HOARDED STOCKS ON HAND IN ANTICIPATION OF WINDFALL PROFIT ON INVENTORIES.

2. EXECUTIVES OF PETROLEUM FIRMS HERE STATE THAT CONTINUING PROBLEM OF KEROSENE SHORTAGE ON RETAIL MARKET IS DUE TO ENTIRELY DIFFERENT CAUSES. WHILE CONTROLLED PRICE OF KEROSENE IS ONLY ABOUT RS. 3 PER GALLON, PRICE OF DIESEL FUEL IS ABOUT RS. 5 AND GASOLINE ABOUT RS. 10 PER GALLON. HENCE, STRONG TEMPTATION ON PART OF UNSCRUPULOUS DEALERS TO ADD CHEAP KEROSENE TO MORE EXPENSIVE DIESEL FUEL AND GASOLINE, THUS SUBSTANTIALLY INCREASING PROFITS AND, INCIDENTALLY, RAISING QUALITY OF DIESEL FUEL. OIL EXECUTIVES HERE COMMENT THAT ONLY WAY TO STOP SUCH PRACTICES IS TO RAISE PRICE OF KEROSENE WHICH NOW KEPT LOW OWING WIDESPREAD USE BY LOWER INCOME SEGMENT OF POPULATION.

3. SINCE BOTH DOMESTIC OIL COMPANIES (DAWOOD WITH 16 PERCENT OF MARKET AND PAKISTAN NATIONAL OIL WITH 15 PERCENT) WERE ALREADY NATIONALIZED ON JAN 1, 1974 (SEE REF B), OIL EXECUTIVES HERE SEE NO LIKELIHOOD AT ALL OF FURTHER NATIONALIZATION IN PETROLEUM SECTOR. SUCH ACTION WOULD PERFORCE AFFECT FOREIGN FIRMS (ESSO, CALTEX AND PAKISTAN BURMAH SHELL) WHICH ARE ONLY ONES REMAINING IN PRIVATE SECTOR AND WHICH, UNDER DECLARED GOP POLICY OF NON-NATIONALIZATION OF ANY FOREIGN FIRMS, REMAIN IN PROTECTED POSITION.

4. COMMENT: CONGEN AGREES WITH OIL EXECS THAT SHORTAGES AT RETAIL LIMITED OFFICIAL USE

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PAGE 03 KARACH 02302 210445Z

LEVEL OF REFINED PETROLEUM PRODUCTS, WHICH HAVE RESULTED FROM SHORT TERM GOP BUREAUCRATIC DELAYS IN CASE OF LUBE OIL AND LONG TERM GOP POLICY IN CASE OF KEROSENE, UNLIKELY RESULT IN ANY FURTHER NATIONALIZATION OF PETROLEUM SECTOR.
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